

## Economic Conditions

### September 2002

#### Civilian Labor Force

- By historic standards, the current economic downturn in Virginia remains relatively mild. Virginia's unemployment rate declined by two-tenths of a percentage point in July to 4.1 percent. Comparing July's unemployment rate with previous years, the last time it was this high was in 1997 when it was 4.2 percent, a time when the Virginia economy was not in recession.
- The July unemployment rate is 45 percent less than the last recession's peak unemployment rate of 7.4 percent in February 1992. The national unemployment rate of 6.0 percent in July is also significantly less than the 8.2 percent experienced during the worst of the last recession.
- 157,700 Virginia workers were unemployed in July 2002 compared with 250,800 in January 1992, the highest monthly total during the last recession.
- 18,700 more Virginians were unemployed in July than a year earlier—an increase of 13 percent. In addition, 6,600 fewer Virginians were unemployed in July than June 2002.
- Four of Virginia's eight MSA's had July unemployment rates above the statewide average—Danville (9.6 percent), Bristol (5.9 percent), Lynchburg (5.5 percent), and Norfolk-Newport News (4.2 percent).
- Virginia's July unemployment rate was lower than all nearby states (Maryland, Georgia, Tennessee, Kentucky, South Carolina, West Virginia, and North Carolina). In addition to Virginia, among these states only Maryland (4.2 percent) and Georgia (4.9 percent) had unemployment rates of less than five percent.

				July 01 to July 02	
				Net Change	% Change
<b>Labor Force</b>	<b>VA</b>	<b>3,851,177</b>	<b>3,748,301</b>	<b>102,876</b>	<b>2.7%</b>
	<b>US</b>	<b>143,885,000</b>	<b>143,181,000</b>	<b>704,000</b>	<b>0.5%</b>
<b>Employment</b>	<b>VA</b>	<b>3,693,439</b>	<b>3,609,236</b>	<b>84,203</b>	<b>2.3%</b>
	<b>US</b>	<b>135,289,000</b>	<b>136,385,000</b>	<b>-1,096,000</b>	<b>-0.8%</b>
<b>Unemployment</b>	<b>VA</b>	<b>157,738</b>	<b>139,065</b>	<b>18,673</b>	<b>13.4%</b>
	<b>US</b>	<b>8,595,000</b>	<b>6,797,000</b>	<b>1,798,000</b>	<b>26.5%</b>
<b>Unemployment rate</b>	<b>VA</b>	<b>4.1%</b>	<b>3.7%</b>	<b>----</b>	<b>10.8%</b>
	<b>US</b>	<b>6.0%</b>	<b>4.7%</b>	<b>----</b>	<b>27.7%</b>

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Virginia Nonagricultural Employment

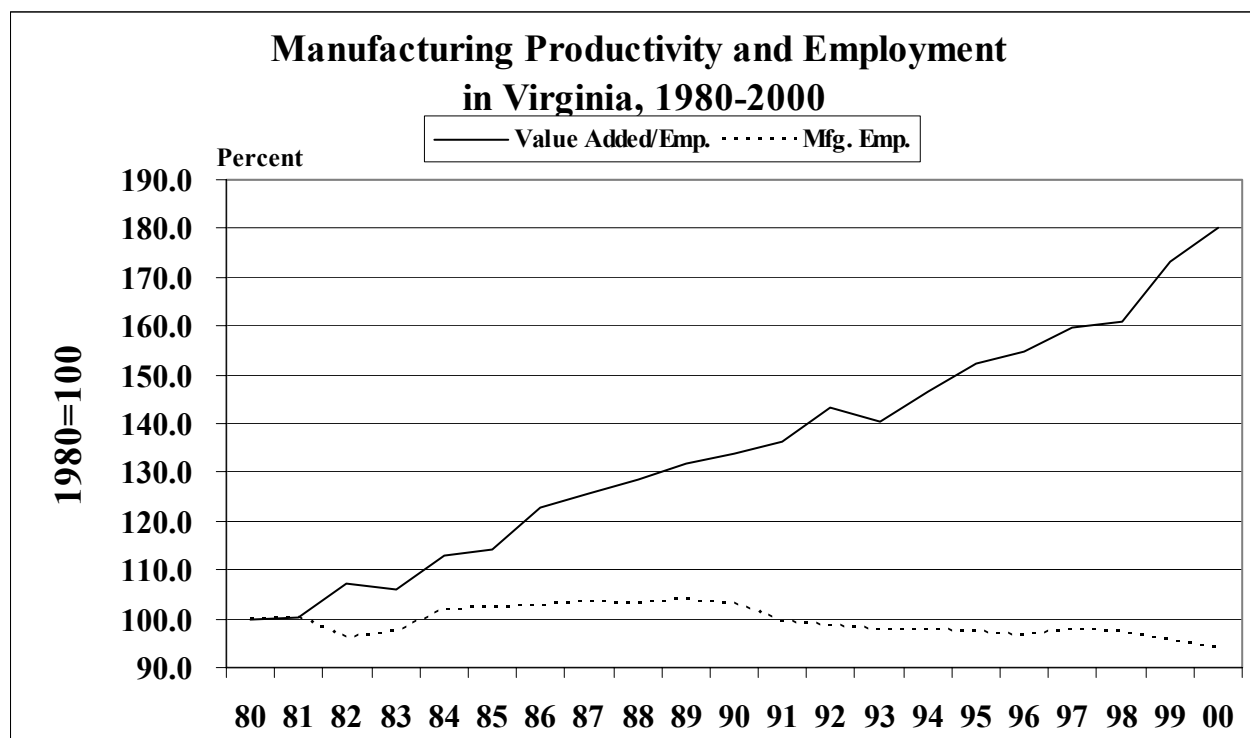
- Nonagricultural employment declined by 43,700 jobs from June 2001 to June 2002.
- Government was the only sector of the Virginia economy that grew from June 2001 to June 2002, adding only 400 jobs.
- The largest job losses in Virginia from June 2001 to June 2002 were in manufacturing (12,600 jobs), transportation and public utilities (10,300 jobs), construction (9,600 jobs), and wholesale and retail trade (8,200 jobs).
- Since June 1990, services has added more jobs than any other sector of the Virginia economy—424,900—and has grown at a faster rate than any other sector—56.6 percent.

	Current				Historic			
			June 01-June 02				June 90-June 02	
	June 02	June 01	Net Change	%		June 90	Net Change	%
<b>Total</b>	<b>3,532,200</b>	<b>3,575,900</b>	<b>-43,700</b>	<b>-1.2%</b>		<b>2,940,700</b>	<b>591,500</b>	<b>20.1%</b>
<b>Mining</b>	<b>9,800</b>	<b>10,200</b>	<b>-400</b>	<b>-3.9%</b>		<b>15,800</b>	<b>-6,000</b>	<b>-38.0%</b>
<b>Construction</b>	<b>210,800</b>	<b>220,400</b>	<b>-9,600</b>	<b>-4.4%</b>		<b>189,600</b>	<b>21,200</b>	<b>11.2%</b>
<b>Manufacturing</b>	<b>359,200</b>	<b>371,800</b>	<b>-12,600</b>	<b>-3.4%</b>		<b>430,400</b>	<b>-71,200</b>	<b>-16.5%</b>
<b>Trans. and public utilities</b>	<b>180,300</b>	<b>190,600</b>	<b>-10,300</b>	<b>-5.4%</b>		<b>150,800</b>	<b>29,500</b>	<b>19.6%</b>
<b>Wholesale and retail trade</b>	<b>765,800</b>	<b>774,000</b>	<b>-8,200</b>	<b>-1.1%</b>		<b>663,100</b>	<b>102,700</b>	<b>15.5%</b>
<b>Finance, ins., and real estate</b>	<b>195,000</b>	<b>196,000</b>	<b>-1,000</b>	<b>-0.5%</b>		<b>157,700</b>	<b>37,300</b>	<b>23.7%</b>
<b>Services</b>	<b>1,175,500</b>	<b>1,177,500</b>	<b>-2,000</b>	<b>-0.2%</b>		<b>750,600</b>	<b>424,900</b>	<b>56.6%</b>
<b>Government</b>	<b>635,800</b>	<b>635,400</b>	<b>400</b>	<b>0.1%</b>		<b>582,700</b>	<b>53,100</b>	<b>9.1%</b>

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Virginia Manufacturing Employment – Overview

- In June 2002, manufacturing employment in Virginia remained at its lowest level since March 1975.
- Manufacturing in Virginia has been in a state of long-term decline since reaching its peak employment of 432,500 in September 1989. It has declined 16.9 percent since then, losing 73,300 jobs, with textiles and apparel accounting for 43,100 of the total. In comparison, manufacturing declined nationally by 14.0 percent during the same period. Despite heavy employment losses, manufacturing remains Virginia's largest basic industry.
- Nationally manufacturing peaked in June 1979 with 21.3 million employees. Since then it has lost 4.6 million jobs through June 2002.
- Manufacturing job losses fall disproportionately on Virginia's non-metropolitan communities. Although they account for just 22 percent of the state's population, they represent 36 percent of the state's manufacturing employment.
- Manufacturing employment in Virginia declined 3.4 percent in June from a year earlier. Among neighboring states, three had greater percentage losses (West Virginia, South Carolina, North Carolina, and Maryland). Three states (Georgia, Tennessee, and Kentucky) had smaller losses.
- Due to significant capital investments and improved manufacturing processes, Virginia's manufacturing workers are much more productive than they were in 1980. The inflation-adjusted value added per manufacturing worker in Virginia increased 80 percent from 1980 to 2000. Virginia manufacturers now require significantly fewer workers than they did in 1980 to produce the same or greater output.



## Virginia Manufacturing Employment – Durable Goods

- Durable goods lost 5,200 jobs over the past twelve months, a decline of 2.7 percent.
- Job losses were heaviest in two durable goods industries—electronic equipment (3,600) and furniture (2,200). The largest percentage losses were also in electronic equipment (14.2 percent) and furniture (11.2 percent).
- The only durable goods industries to add jobs over the past twelve months were transportation equipment, lumber, and industrial machinery, which grew by 2,300; 600; and 200 jobs, respectively.
- Although some manufacturing job losses have been due to the overall weakness of the economy, long-term trends are also at work. Electronic equipment has been steadily declining since 1985, largely due to the impact of foreign competition. Since 1990 alone, this industry has lost 13,500 jobs, a 38.4 percent decline, with no end in sight to the losses. Furniture, also feeling the effects of foreign competition, lost 5,900 jobs (a 25.3 percent loss) during the same period. In all likelihood the weight of foreign imports will fall heavily on this industry in the years ahead.
- On a brighter note, over the long-term industrial machinery is one of the few durable goods industries in Virginia to register solid job gains, adding 5,600 jobs since June 1990. This industry has been especially successful in exporting to foreign markets and has played a key role in productivity increases that have enabled manufacturers to produce more with the same or fewer workers.

	Current				Historic			
			June 01–June 02				June 90–June 02	
	June 02	June 01	Net Change	%		June 90	Net Change	%
<b>Total manufacturing</b>	<b>359,200</b>	<b>371,800</b>	<b>-12,600</b>	<b>-3.4%</b>		<b>430,400</b>	<b>-71,200</b>	<b>-16.5%</b>
<b>Durable goods</b>	<b>189,900</b>	<b>195,100</b>	<b>-5,200</b>	<b>-2.7%</b>		<b>209,800</b>	<b>-19,900</b>	<b>-9.5%</b>
<b>Lumber</b>	<b>27,100</b>	<b>26,500</b>	<b>600</b>	<b>2.3%</b>		<b>25,500</b>	<b>1,600</b>	<b>6.3%</b>
<b>Furniture</b>	<b>17,400</b>	<b>19,600</b>	<b>-2,200</b>	<b>-11.2%</b>		<b>23,300</b>	<b>-5,900</b>	<b>-25.3%</b>
<b>Stone, clay, glass</b>	<b>11,800</b>	<b>12,900</b>	<b>-1,100</b>	<b>-8.5%</b>		<b>14,800</b>	<b>-3,000</b>	<b>-20.3%</b>
<b>Primary metals</b>	<b>9,700</b>	<b>10,300</b>	<b>-600</b>	<b>-5.8%</b>		<b>11,800</b>	<b>-2,100</b>	<b>-17.8%</b>
<b>Fabricated metals</b>	<b>17,400</b>	<b>17,700</b>	<b>-300</b>	<b>-1.7%</b>		<b>18,100</b>	<b>-700</b>	<b>-3.9%</b>
<b>Ind. machinery</b>	<b>28,000</b>	<b>27,800</b>	<b>200</b>	<b>0.7%</b>		<b>22,600</b>	<b>5,400</b>	<b>23.9%</b>
<b>Electronic equip.</b>	<b>21,700</b>	<b>25,300</b>	<b>-3,600</b>	<b>-14.2%</b>		<b>35,200</b>	<b>-13,500</b>	<b>-38.4%</b>
<b>Trans. equip.</b>	<b>42,000</b>	<b>39,700</b>	<b>2,300</b>	<b>5.8%</b>		<b>44,800</b>	<b>-2,800</b>	<b>-6.3%</b>
<b>Instruments</b>	<b>10,500</b>	<b>10,900</b>	<b>-400</b>	<b>-3.7%</b>		<b>10,400</b>	<b>100</b>	<b>1.0%</b>
<b>Misc. mfg.</b>	<b>4,300</b>	<b>4,400</b>	<b>-100</b>	<b>-2.3%</b>		<b>3,300</b>	<b>1,000</b>	<b>30.3%</b>

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Virginia Manufacturing Employment – Nondurable Goods

- Nondurable goods lost 7,400 jobs over the past 12 months, a decline of 4.2 percent.
- Food and tobacco products added 1,300 jobs over the past year. All other nondurables lost jobs.
- The heaviest job losses of the past twelve months were in textiles, apparel, printing, chemicals, and paper, which lost a combined total of 8,100 jobs.
- The long-term prospects for several of Virginia's nondurable goods industries are particularly poor. Textiles and apparel, reflecting national trends, have been battered by foreign imports. Both industries have lost jobs since the early 1970s with combined losses totaling 60,000 jobs. However, almost two-thirds of these jobs were lost since 1990. Given current trends the apparel industry will virtually cease to exist as a viable industry in Virginia within 5 to 10 years.
- Virginia's chemical industry, which peaked at 47,300 employees in 1968, has also been in long-term decline. Since then it has lost 28,400 jobs, 11,300 since 1990 alone.

	Current				Historic			
			June 01–June 02				June 90–June 02	
	June 02	June 01	Net Change	%		June 90	Net Change	%
<b>Total manufacturing</b>	<b>359,200</b>	<b>371,800</b>	<b>-12,600</b>	<b>-3.4%</b>		<b>430,400</b>	<b>-71,200</b>	<b>-16.5%</b>
<b>Nondurable goods</b>	<b>169,300</b>	<b>176,700</b>	<b>-7,400</b>	<b>-4.2%</b>		<b>220,600</b>	<b>-51,300</b>	<b>-23.3%</b>
Food products	38,700	38,200	500	1.3%		36,100	2,600	7.2%
Tobacco products	8,400	7,600	800	10.5%		12,500	-4,100	-32.8%
Textiles	19,400	23,900	-4,500	-18.8%		40,800	-21,400	-52.5%
Apparel	8,100	9,300	-1,200	-12.9%		28,300	-20,200	-71.4%
Paper	15,600	16,300	-700	-4.3%		16,900	-1,300	-7.7%
Printing	36,400	37,300	-900	-2.4%		35,900	500	1.4%
Chemicals	19,000	19,800	-800	-4.0%		30,300	-11,300	-37.3%
Rubber/plastics	22,800	23,300	-500	-2.1%		17,400	5,400	31.0%
Petroleum/leather	900	1,000	-100	-10.0%		2,400	-1,500	-62.5%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Virginia Nonmanufacturing Employment – Selected Industries

- Although manufacturing is still by far Virginia's largest basic industry, several basic nonmanufacturing industries have had an increasingly significant impact on the Virginia economy, including communications, business services, and engineering and management services.
- These three industries grew significantly faster than nonagricultural employment as a whole since 1990 with business services leading with a 87.6 percent increase followed by engineering and management services, 53.7 percent, and communications, 31.4 percent. This compares with 26.4 percent employment growth for nonagricultural employment during the same period.

	Current				Historic			
			June 01-June 02				June 90-June 02	
	June 02	June 01	Net Change	%		June 90	Net Change	%
<b>Nonmanufacturing</b>	<b>3,173,000</b>	<b>3,204,100</b>	<b>-31,100</b>	<b>-1.0%</b>		<b>2,510,300</b>	<b>662,700</b>	<b>26.4%</b>
<b>Communications</b>	<b>59,000</b>	<b>61,500</b>	<b>-2,500</b>	<b>-4.1%</b>		<b>44,900</b>	<b>14,100</b>	<b>31.4%</b>
<b>Business services</b>	<b>310,500</b>	<b>328,500</b>	<b>-18,000</b>	<b>-5.5%</b>		<b>165,500</b>	<b>145,000</b>	<b>87.6%</b>
<b>Engineering and management svcs</b>	<b>148,000</b>	<b>142,600</b>	<b>5,400</b>	<b>3.8%</b>		<b>96,300</b>	<b>51,700</b>	<b>53.7%</b>

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Consumer Price Index

- The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.1 percent in July. On a seasonally adjusted basis the CPI-U also increased 0.1 percent in July.
- The index for energy increased at a 14.5 percent seasonally adjusted annual rate in the first seven months of 2002. The annual rate increase for petroleum-based energy was 36.1 percent.
- For the first seven months of 2002, the CPI-U rose at a seasonally adjusted annual rate of 2.5 percent. This compares with a 1.6 percent increase for all of 2001.

Current			Historic		
	% Change, June 02 to July 02	% Change July 01 to July 02	% Change July 90 to July 02	% Change July 80 to July 02	% Change July 70 to July 02
<b>July 02</b>					
<b>180.1</b>	<b>0.1%</b>	<b>1.5%</b>	<b>38.1%</b>	<b>117.8%</b>	<b>361.8%</b>

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Finance

- The current federal funds rate of 1.75 percent remains unchanged since it was set in mid-December 2001. The federal funds rate, one of the most frequently quoted and misunderstood financial indicators, is at its lowest level in four decades.
- The Dow Jones Industrial Average, S&P 500, and NASDAQ are currently 29 percent, 43 percent, and 75 percent, respectively, below their all-time highs of two years ago.

	Sept. 02	% Change, 1 Month	% Change, 3 Months	% Change, 6 Months	% Change, 1 Year
<b>DJIA</b>	<b>8308</b>	<b>-2.3%</b>	<b>-14.4%</b>	<b>-19.9%</b>	<b>-16.9%</b>
<b>S&amp;P 500</b>	<b>878</b>	<b>-0.8%</b>	<b>-15.7%</b>	<b>-22.4%</b>	<b>-22.5%</b>
<b>NASDAQ</b>	<b>1264</b>	<b>-1.2%</b>	<b>-19.1%</b>	<b>-29.9%</b>	<b>-28.6%</b>

	Sept. 02	March 02	Sept. 01
<b>Federal funds rate</b>	<b>1.75%</b>	<b>1.75%</b>	<b>3.50%</b>
<b>Treasury – 5 year</b>	<b>3.02%</b>	<b>4.29%</b>	<b>4.55%</b>
<b>Treasury – 10 year</b>	<b>3.98%</b>	<b>4.97%</b>	<b>4.98%</b>
<b>Bank prime loan rate</b>	<b>4.75%</b>	<b>4.75%</b>	<b>6.50%</b>

Note: Data is for the first business day of the month.

Source: Reuters and the Board of Governors of the Federal Reserve System.

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